

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING - JUNE 8, 2006

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; Craig Bulkley, Bureau Chief of Administrative Services; Eddie Edwards, Chief of Enforcement; Steven Slovenski, Legal Counsel; Peter Engel, Director of Store Operations; Kathleen Hass, Director of Purchasing; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Doreen Wittenberg, Administrative Services. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc.

EXCUSED: John Bunnell, Administrator of Marketing & Sales; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Year-to-Date Sales Reports:

Sales for the week ending June 4, 2006 were up over the same week last year by 5.3% or \$378,767, as they were year-to-date by 5.76% or \$21,012,194.

B. Budget/Administrative Reports:

Craig distributed a picture of Howard receiving an award from the NCLSA, on behalf of the Commission, for the best government to business web site of the control states. This also includes Law Warehouse's web site. Howard was scheduled to make a presentation on how our site operates.

Last week, a licensee from Dover was the second to receive a UPS delivery, and they were extremely happy with the results.

Craig thanked everyone who participated in promoting the latest Charitable Campaign. This year pledges exceeded 15,122, versus 13,104 last year. Pledges from headquarters employees were about \$7,720, while store employees pledged around \$7,401. Store Operations drew the winning promotions ticket, winning Craig's services as "slave" for a day. Evie and Craig will also host a breakfast for everyone participating in the campaign, date to be announced.

The Commission had two items on the last Governor and Council agenda – one under OIT for renewal of the SSA contract, and two under the Commission for the Hammer and Sons sign maintenance contract and N.H. Stories contract for the two Hampton stores. Craig e-mailed the Commission

regarding questions asked by Councilors Griffin and Burton and the Governor regarding store signage, which he promised the Commission would look into and send a response. Chairman Maiola said he would meet with Craig, John Bunnell and Peter next Monday regarding this.

The LBA auditors have asked for current statuses of prior audit observations, and Craig has prepared a draft memorandum for the Commission's review. He mentioned that one observation regarding written store plans appeared not to be in compliance with RSA 177:3, which requires definition of identification of a "marginal store" and staffing plans. Commissioner Byrne instructed Store Operations to develop something on this as soon as possible.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 93.4% expired, with total agency expenditures at around 85.4%. George received good news that \$105,000 will be coming to the Commission soon which will be used to pay for utility bills.

2. IT Report – No report.
3. In Evie's absence, Craig reported a large workers compensation pay-off of around \$35,000 to an employee who was terminated for non-disciplinary reasons.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 6/4/06 increased by 5.47% or \$300,767.05.

Quarterly inventory is being wrapped up this week. Everything seems to have gone well, with only a few minor issues arising.

2. Purchasing Report

Kathy distributed the current out-of-stock warehouse report. Letters have been sent to the brokers regarding 2006 holiday items, which must be submitted during the month of July.

3. Merchandising Report

A. SPIRITS:

1) August Price Increase:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve price changes for three “Hot Brand/Fixed Price” products (Code #1883, Seagrams 7, 1.75L; Code #2432, Crown Royal, 750ML; and Code #8112, Stolichnaya Vodka, 1.75L), to become effective with the August 2006 quarterly price change, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Recommended Delist:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny appeals for 6 spirit items recommended for delisting for failure to achieve gross profit requirements, and grant an appeal for 1 spirit product, which will remain as a specialty item, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Market Products:

a. Test Market Request (V Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/White Rock Distilleries for a new test market listing for V Vodka, 1.75L size (assigned new Code #3772), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Han Asian Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Sunyang, Korea distillers for a new test market listing for Han Asian Vodka, 750ML size (assigned new Code #3993), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Finlandia Cranberry Fusion Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company/Brown-Forman Corporation for a new test market listing for Finlandia Cranberry Fusion Vodka, 750ML size, as

recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Skyy Spirits for a new test market listing for 1800 Ultimate Margarita, 1.75L size (assigned new Code #5758), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4. Line Extension Request (Tullamore Dew Irish Whiskey:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Smithfield for a line extension to Tullamore Dew Irish Whiskey, 1.75L size (assigned new Code #2395), as this brand in the 750ML size has exceeded the gross profit required for an added size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5. Appeal (Codes #5523 and #5524):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from Southern Wine & Spirits of N.E., Inc. regarding the delistings of Code #5523, Pallini Raspicello and Code #5524, Pallini Peachcello, 750ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6. One Time Buy Request (Stoli Blueberi Vodka, 50ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Pernod Ricard for the Commission to make a one-time purchase of Stoli Blueberi Vodka, 50ML size (assigned new Code #3447), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7. July/August Sweepstakes (Belvedere/Chopin Vodkas):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E.,

Inc./Moet Hennessey USA to conduct a Belvedere/Chopin Luxury Bar Sweepstakes during July and August 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8. Product Demos:

a. Jack Daniels Race Car:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Brown Forman Corporation to allow the placement of the #7 Jack Daniels Race Car in front of Store #38 Portsmouth on July 14, 2006 from 3:00 to 6:00 p.m., as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Cabana Bay Coconut and Pineapple Rums:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/White Rock Distilleries to conduct product demonstrations in conjunction with Cabana Bay Coconut Rum and Cabana Bay Pineapple Rum, 750ML sizes, at selected retail stores on designated dates during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Starbucks Liqueur:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to conduct non-alcoholic samplings of Starbucks Liqueur at selected retail stores on designated dates during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Knob Creek Label Program:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to conduct a Knob Creek

Label program at selected retail stores on designated dates during July, September and December 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Jim Beam Race Car:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to allow the placement of the Jim Beam Race Car simulator at Stores #38 Portsmouth, #34 Salem and #56 Gilford on designated dates during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Captain Morgan:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Diageo North America to allow “Captain Morgan” to appear at Store #76 Hampton North on June 23, 2006 from 3:00 to 8:00 p.m., as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

The wine tasting for “Rise for Baby and Family” will be held in Keene tonight from 6:00 to 8:00 p.m. at the Keene Country Club.

Tests on electronic special offers from three suppliers for the month of August have worked out well. However, there is concern that on-premise suppliers will receive the lowest prices from Law. Nicole asked to meet with Commissioner Byrne and Howard Roundy regarding this issue.

1) 2003 Bordeaux Rollout:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the rollout of the 2003 Bordeaux to stores, including wine tastings in designated stores to support this event, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Store Tasting (Gala Rouge wines):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company to conduct tastings at designated stores during July and August 2006, including three absolutes at these locations, in promotion of Code #43241, Gala Rouge Chardonnay and Code #43242, Gala Rouge Pinot Noir, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Peak Wines NHSLC Gift Card Giveaway:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Southern Wine & Spirits of N.E., Inc./ Peak Wine Company to conduct a NHSLC Gift Card Giveaway during July and August 2006 in promotion of Geyser Peak Wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Request for Second Size (Bonny Doon Big House Red):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Bonny Doon Winery to list a second size for Code #31349, Bonny Doon Big House Red, 375ML size, to be carried in Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Purchases & Introductions:

a. Gala Rouge wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company for the purchase and introduction of Code #43241, Gala Rouge Chardonnay and Code #43242, Gala Rouge Pinot Noir, but that a three absolute of each be placed in Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Virgin Vines Chardonnay & Shiraz:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission uphold its original decision not to roll out Virgin Vines Chardonnay and Shiraz as voted in November 2005, as

recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Results of Purchases & Displays:

a. Green Point Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting (removal from retail) of Code #43367, Green Point Chardonnay and Code #43368, Green Point Shiraz due to failure to achieve gross profit requirements, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Trove 3 Liter Box Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting (removal from retail) of Code #43320, Trove Chardonnay, Code #43319, Trove Cabernet, Code #43322, Trove Pinot Grigio and Code #43321, Trove Merlot 3 liter box wines due to failure to achieve gross profit requirements, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Test Market Requests:

a. Woodbridge 1.5 liter Pinot Noir:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of NH to test Code #43809, Woodbridge Pinot Noir, 1.5 liter by placing a three absolute in all Cluster 1 stores and in Stores #55 Bedford and #60 West Lebanon, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Columbia Crest Grand Estates Pinot Grigio:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. to test Code #43497, Columbia Crest Grand Estates Pinot Noir by placing a three absolute in all Cluster 1 stores and in Stores

#55 Bedford and #60 West Lebanon, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Close Out Pricing:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve removal from retail and close out pricing for sixteen (16) American Syrah and Shiraz items, with an additional mark down after sixty days, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Primary Source Submissions:

a. 9 primary source; 9 exclusive agent; 30 imported:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of nine (9) wine codes which are from primary source, nine (9) wine codes which are offered by the exclusive marketing agent and thirty (30) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – No Report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all requests for bailment releases/transfers dated May 25 through June 8, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. PLCB Meeting, August 2006:

Commissioner Maiola mentioned that he would be attending an annual meeting of the Pennsylvania Liquor Control Board during August 2006.

V. EXECUTIVE SESSION

At 1:23 p.m. the Commission adjourned the meeting and went into executive session to discuss non-public issues.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

